



California Public Employees' Retirement System

California Public Divest from Sudan Act Annual Legislative Report

December 31, 2010



**California Public Employees' Retirement System
Sudan Act - Annual Legislative Report
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Executive Summary

1. This Legislative Report sets out CalPERS implementation of the Sudan Act during 2010. This requires that CalPERS identify, monitor, and ultimately divest from companies with business activities in Sudan, unless exempt on humanitarian grounds, subject to the plan's fiduciary duty which requires that risks and returns take primacy.
2. Since the 2009 Legislative Report was filed, CalPERS has continued to actively engage companies as required by the Sudan Act and tracked significant progress towards portfolio companies withdrawing from Sudan.
3. During the period covered, additional companies announced they were curtailing their activities in Sudan or were making significant progress towards withdrawal.
4. CalPERS will update its fiduciary analysis based upon these developments, in order to establish the impact of potential divestment on the portfolio of the remaining companies.
5. CalPERS will continue to identify companies potentially subject to the Sudan Act, to notify them of the law's provisions, and call for their withdrawal from the country unless continued business activity is warranted on humanitarian grounds.

Introduction

This fourth report to the Legislature is provided by the California Public Employees' Retirement System (CalPERS) under the requirements of AB 2941 (Chapter 442), Government Code section 7513.6, commonly known as the Sudan Act.

CalPERS is the largest public pension plan in the United States, responsible for over \$218 billion in global assets, which are invested to provide retirement and health benefits for over 1.6 million Californians.

CalPERS Board has sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits to its participants and their beneficiaries. The assets of the system are trust funds that must be held for the exclusive purposes of providing benefits to participants in the retirement system and their beneficiaries and defraying reasonable expenses of administering the system. CalPERS distributes over \$18 billion a year to pensioners and employees for their health and retirement needs.

Implementation of the Sudan Act

CalPERS has implemented the requirements of the Sudan Act throughout the reporting period and from the time the legislation became effective, January 1, 2007.

This report charts significant progress towards meeting the objectives of the Sudan Act, which are to ensure that companies curtail or cease business operations in the country, unless the companies are exempt on humanitarian grounds. The details are set out in the table which follows.

Implementation of the Sudan Act is kept under review by the CalPERS Senior Executive Corporate Governance Working Group, which includes the president of the Board of Administration, the Chief Executive Officer, the Chief Investment Officer, Chief Operating Investment Officer, the General Counsel, and heads of Government Affairs, Public Affairs and Governance.

Furthermore, the CalPERS Board issued a Position Statement in May 2006 which supports the Sudan Act which followed, stating that "companies that do business in Sudan may thereby be unwittingly furthering or condoning the egregious human rights violations that are occurring" and signaling its intention to engage with companies on the issue.

CalPERS participates in the Sudan Engagement Group, which is coordinated by the United Nations Principles of Responsible Investment (PRI). In March 2010, CalPERS was represented by its emerging markets corporate governance manager, Cartica, in Sudan for meetings jointly organized by the PRI in collaboration with the United Nations Global Compact (UNGC) and the Global Compact Local Network in Sudan.

The meetings included local and international companies, non-governmental organizations (NGOs), community representatives, diplomats, international experts and the Government of National Unity. In addition, the PRI Initiative and the UNGC organized an event on “Responsible Investment and Responsible Business Practices in Conflict Affected Countries.” This event was an opportunity for representatives of companies, institutional investors, civil society and government to discuss the role of the private sector in fostering peace and development in post-conflict situations.

CalPERS also participates in the UN Leaders Summit, which has developed a resource for companies and investors entitled “Guidance on Responsible Business in Conflict-Affected and High-Risk Areas” which will further inform engagement with companies operating in Sudan.

These activities provide support for CalPERS full implementation of the Sudan Act.

Requirements of the Sudan Act

The Sudan Act requires that CalPERS first identify companies which have business operations in the country, using a third party research firm. CalPERS contracted with the MSCI, formerly known as Risk Metrics Group, to provide information on companies which may have business operations in Sudan.

The second step has then been to notify each of the companies concerned of the Sudan Act’s provisions in order to determine whether those identified meet the criteria for “active business operations in Sudan.”

For those which meet this definition, CalPERS has then actively engaged with each company in order to assess whether the company is taking “substantial action” towards curtailing or ceasing activities. A further consideration has been whether any claims to exemption are warranted under the provisions regarding humanitarian activities.

The Sudan Act states that CalPERS should then divest shares in those companies which within a 90 day period do not meet these requirements, unless the Board determines, in good faith, that the action is consistent with the fiduciary responsibilities of the Board as described in Section 17 of Article XVI of the California Constitution.

Fiduciary Analysis

In order to determine compliance with the Sudan Act’s requirements regarding fiduciary duty, CalPERS commissioned analysis from its general pension consultant, Wilshire Associates. The most recent analysis was conducted in January 2010 in order to assess the potential costs and risk exposure of the portfolio if shares in the companies were divested and alternative investments were sought (see below). The analysis included companies subject to both the Iran and Sudan Acts given the significant overlap in the affected group. Following the significant company withdrawals from both countries, this fiduciary analysis will be updated in order to reassess the potential costs and risks associated with divestment.

CalPERS also engaged external legal counsel in 2009 to advise the CalPERS board with respect to compliance with the provisions of the Iran Act in light of the Board's fiduciary responsibilities.

At its February 2009 Investment Committee, the Board decided, after careful consideration of its overriding fiduciary duties and in view of both staff and legal counsel's advice, to not divest shares at that time. The Board noted that substantial progress had been made toward curtailment and cessation of business operations in Sudan. Staff was instructed to continue with its engagement efforts, which support the ultimate objectives of the Sudan Act.

Progress on Company Withdrawal from Sudan

The table that follows sets forth CalPERS current investment holdings in the non-US companies that have been identified as having business operations in Sudan, as defined by the legislation.

The Sudan Act has specific reporting requirements, which are addressed as follows.

Reporting Requirement of Section 7513.6(i)(3) – Whether the Board has Reduced its Investments in any Companies Described in Section 7513.6(b) or (c) (“Covered Companies”)

CalPERS has not reduced its investments in any Covered Companies because it has concluded that it would be against its fiduciary responsibilities to do so, as more fully described below (in response to the reporting requirement under section 7513.6(i)(4)).

Reporting Requirement of Section 7513.6(i)(4) -- When the Board Anticipates it Will Reduce all Investments in a Covered Company or the Reasons Why a Sale or Transfer of Investments is Inconsistent with the Fiduciary Responsibilities of the Board

CalPERS has determined that the sale or transfer of investments in the Covered Companies is inconsistent with CalPERS' fiduciary responsibility to its members.

CalPERS staff has implemented and followed a process to determine the costs of potential divestment under the Sudan Act. Through this process, CalPERS engaged its external pension consultant, Wilshire Associates, to calculate the cost and assess the impact on CalPERS' risk and return profile from a potential Sudan divestment.

As of January 2010, projected transaction costs of divestment from companies subject to the Sudan Act ranged from a low of \$1.1 million to a high of \$4.4 million. In addition, the projected annual impact of divestment and exclusion of these investments from the CalPERS portfolio, assuming optimized reinvestment, ranges from +/- \$28 million to +/- \$43 million. Based on Wilshire's calculation and assessment, CalPERS staff concluded that divesting from the Covered Companies in which CalPERS is invested would have a deleterious impact on investment performance by generating large, otherwise unnecessary, transaction costs and greatly increasing tracking error.

The CalPERS Board concluded that it would be inconsistent with the Board's constitutional fiduciary duties to divest shares at that stage.

Reporting Requirements of Section 7513.6(i)(6) – Detailed Summary of Investments Transferred to Funds or Accounts Devoid of Companies with Business Operations in Sudan as Described in Section 7513.6(f)

CalPERS has made no such investment transfers for the reasons set forth above (in response to the reporting requirement under section 7513.6(i)(4)).

Conclusion

CalPERS will continue to implement the requirements of the Sudan Act. CalPERS has tracked significant progress in company withdrawal and reduction of activity in Sudan. In part, this reflects the growing geo-political risk in the country, but it also demonstrates a response to shareowner engagement. CalPERS is aware that the situation is evolving, and will continue to identify, monitor, engage with companies in the portfolio and review their status under the requirements of the Sudan Act.

TABLE 1
2 Companies Subject to Divestment Provisions

	<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2009</i>	<i>Shares Held by CalPERS 11/30/2010</i>	<i>Market Value (\$) of Shares Held by CalPERS 11/30/2010</i>
1	Mangalore Refinery & Petrochemical Ltd. (India)	Mangalore Refinery is a majority-owned publicly traded subsidiary of the Indian Oil & Natural Gas Corporation Ltd (ONGC). According to international news sources, Mangalore Refinery itself is involved in oil-related projects in Sudan. According to Reuters in 2007, and the United News of India reported on Oct. 28, 2008, the company refined crude oil from Sudan that is exported to India. In total, the oil processed by Mangalore Refining makes up 15 percent of the total oil produced by ONGC in Sudan.	CalPERS most recent attempt to engage Mangalore in August 2010 has yet to be responded to by the company.	720,670	\$1,122,979
2	Wartsila OYJ (Finland)	In December 2007, Wartsila told MSCI Group that its activities in Sudan are conducted in "strict compliance with applicable international and national laws." It declined to comment further. Wartsila acknowledged to MSCI Group on Sept. 3, 2007, that it had supplied "high-efficiency power plants" to Sudan. It said, however, that it has no assets in Sudan and that its business there "has always been very small considering the total business activities Wartsila has." It added, "We have no plans to become a large player in the country nor do we have any intention to expand beyond the type of business we have earlier been in." It declined to provide MSCI with sales figures for Sudan. In any case, it said that none of its sales in Sudan have been to governmental entities. It continues to maintain a representative office in Khartoum, Intercontinental Trading & Engineering (ITE). It also continued to post a press release on its website announcing that the company won an order to build an oil-fired power plant in Sudan.	In August 2010, CalPERS provided the company with a fully transparent description of what MSCI believes to be the company's business operations. A response from Wartsila is pending.	324,346	\$22,504,178

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		Two Sudan-related pages are available on the company website: in the first one, a company brochure for its power plants, Wartsila states to have installed engines in three large pipeline drive projects, one of which is in Sudan for Petronas. Furthermore, for its services in the Eastern African Region, Wartsila declares it was established in the region since August 1997 to market, sell, construct and service Power Generating Plants in the Eastern African Region, whereof Sudan, where it implanted 74 engines for a total of 320 Mega Watt. Moreover, as reported by the Platt's UDI World Electric Power Plants Data Base, updated on February 15, 2009, Wartsila was the G/G supplier for the Petrodar's Palogue oil field production center, operational since 2004 with a configuration of 40 MW.			
			Category Total		\$23,627,157

TABLE 2
9 Companies Under Review

	<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2009</i>	<i>Shares Held by CalPERS 11/30/2010</i>	<i>Market Value (\$) of Shares Held by CalPERS 11/30/2010</i>
1	Atlas Copco AB (India)	<p>As of September 2010, Atlas Copco, a manufacturer of compressors, air treatment equipment, construction and loading equipment, mining and drilling equipment, pneumatic and electrical power tools and assembly systems , stated on its Web site that it had an office in Kenya that served clients in Sudan.</p> <p>Atlas Copco reported that it founded and continues to manage the nonprofit organization Water for All, which is drilling and digging for water in countries where clean drinking water is a scarce resource. Sudan was one of the countries that received support from this organization in 2009.</p>	CalPERS initiated engagement with Atlas Copco in October 2010 with response pending.	5,184,869	\$107,432,674
2	Bollore SA (France)	<p>The company confirmed that it provides logistics services to companies involved in oil operations in southern Sudan as well as to the United Nations for its relief efforts in the area. Bollore Group's subsidiary, SDV Oilfield, has offices in Khartoum and Port Sudan registered under the name, SDV Transintra Sudan, and over 50 employees. In a letter sent to MSCI on July 23, 2009, a company representative said that SDV Transintra has no business relationship in the field of logistics concerning supplies or services for the government of Sudan.</p> <p>Bollore's company in Juba (where the Government of South Sudan is based) is called SDV Logistics Sudan, and is not involved in the oil business. According to Bollore's website, its transport division maintains operations in Sudan. However, the company confirmed in the letter sent to MSCI that it is "not involved in any</p>	CalPERS initiated engagement with Bollore in October 2010 with response pending.	12,629	\$2,604,885

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TABLE 2
9 Companies Under Review

	<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2009</i>	<i>Shares Held by CalPERS 11/30/2010</i>	<i>Market Value (\$) of Shares Held by CalPERS 11/30/2010</i>
		capacity with the oil/mining business in North Sudan".			
3	Dongfeng Motor Group Company Ltd. (Hong Kong)	<p>Dongfeng Motor Group includes DongFeng Automobile Co., an automobile manufacturer, whose military division is under investigation for violating the United Nations arms embargo against Sudan. In 2006, the United Nations Panel of Experts monitoring the Darfur arms embargo reported that it saw a shipment of green military trucks at Port Sudan in August 2005. It said that similar trucks were later seen on the grounds of the Sudanese Air Force in Darfur in October 2006. The panel commenced an investigation, which found that the Ministry of Finance and National Economy of Sudan had purchased 222 vehicles-212 military trucks of model EQ2100E6D and 10 chassis of model EQ1093F6D-from Dongfeng on behalf of the Ministry of Defense. Following the release of the report, Dongfeng failed to answer directly any inquiries regarding its sale of military vehicles to Sudan.</p> <p>In December 2007, Dongfeng Motor Group confirmed for MSCI that it sells products to customers in Sudan, but it said that it does not have any equity interest in companies there. It added that it supplied trucks to the Khartoum government under a contract approved by the Chinese government. On July 14, 2008, a BBC investigative program found Dongfeng Automobile Co's (a DongFeng Motor's subsidiary) military vehicles,</p>	CalPERS initiated engagement with Dongfeng in August 2010 with response pending.	6,586,000	\$5,867,025

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TABLE 2
9 Companies Under Review

	<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2009</i>	<i>Shares Held by CalPERS 11/30/2010</i>	<i>Market Value (\$) of Shares Held by CalPERS 11/30/2010</i>
		<p>whose plates and markings showed a post-embargo manufacture date, in the possession of a Darfur rebel group that had reportedly captured them from the Sudanese Armed Forces. Its markings, captured on film, show the truck was exported by China to Sudan in 2005, after the United Nations banned the transfer of military goods to Darfur. Aside from documenting the presence of these vehicles, witnesses confirmed that they had seen them used during a December 2007 attack on Sirba town in West Darfur.</p> <p>In a press release issued on November 18, 2008, the UN panel of experts denounced that the Sudanese government and rebel groups in Darfur have continuously and flagrantly violated the arms embargo from September 2007 to September 2008. The panel's report included photos of equipment reportedly from the Sudanese government that was manufactured after the 2005 embargo, including a Dongfeng Automobile military truck and 120 mm mortars and post-embargo ammunition found in the hands of the rebel Justice and Equality Movement.</p>			
4	Elsowedy Electrical (Egypt)	Elsowedy Cables provides significant support to Sudan's electricity generating infrastructure. The company owns and operates a plant in Sudan that produces power transmission cables.	CalPERS initiated engagement with Elsowedy in August 2010 with response pending.	634,836	\$5,867,025

TABLE 2
9 Companies Under Review

	<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2009</i>	<i>Shares Held by CalPERS 11/30/2010</i>	<i>Market Value (\$) of Shares Held by CalPERS 11/30/2010</i>
5	KEPCO Plant Services & Engineering Co. Ltd. (Korea)	KEPCO Plant Service & Engineering provides power plant maintenance services. In July 2008, Sudan's Electric Power Agency awarded a USD \$33.8 million contract to a consortium of South Korean companies led by LS Industrial Systems that included KEPCO Plant Service & Engineering. The contract involved the modernization of a power plant in Khartoum, Sudan, and was expected to be completed by 2010. LS Industrial Systems had a 54 percent stake in the consortium.	CalPERS most recent attempt to engage KEPCO in August 2010 has yet to be responded to by the company.	24,587	\$1,721,979
6	KLCC Property Holdings (Malaysia)	As of June 2010, KLCC Property Holding Berhad was 51 percent owned by Petronas, which is considered involved in Sudan. In addition to being a majority-owner, there is significant overlap in management between KLCC and Petronas.	CalPERS initiated engagement with KLCC in October 2010 with response pending.	90,900	\$97,859
7	LS Industrial Systems Co. (Korea)	LS Industrial Systems Co., Ltd. manufactures electric power equipment. In July 2008, Sudan's Electric Power Agency awarded a USD \$33.8 million contract to a consortium of South Korean companies led by LS Industrial Systems. The contract involved the modernization of a power plant in Khartoum, Sudan, and was expected to be completed by 2010. LS Industrial Systems had a 54 percent stake in the consortium.	CalPERS most recent attempt to engage LS Industrial in August 2010 has yet to be responded to by the company.	24,587	\$1,721,981
8	Oil India Ltd. (India)	Oil India Limited is engaged in the exploration, development, production, and transportation of crude oil and natural gas. Oil India was wholly-owned by the government of India, but the company's Initial Public Offering (IPO) took place in September 2009. As of	Through September 2010, Oil India states that the company is well within the canons of law (read as Sudan Act) and requests CalPERS to stay invested. The criteria presented in the Sudan Act were addressed through a due diligence exercise	108,262	\$3,256,000

TABLE 2
9 Companies Under Review

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		September 2009, Oil India had a 10 percent stake in a 741 km oil pipeline; ONGC Videsh Limited had the remaining 90 percent stake. The pipeline was completed in October 2005 and was given to the Sudanese Ministry of Energy & Mining (MEM) under the Build, Own, Lease, and Transfer (BOLT) basis. According to the company's 2008 Annual Report the consortium has received 7 payment installments from the Sudanese MEM. The company also reported that it had an ongoing overseas presence in Sudan.	that was very exhaustive and passed the rigid test of the Regulators upon issuance of Oil India's IPO. Response is under review by MSCI.		
9	Seadrill Limited (Bermuda)	Seadrill is an offshore drilling contractor that provides services including platform drilling, well intervention, and engineering services. In October 2009 Seadrill reported that the company would be contracting its West Prospero rig to the Red Sea Petroleum Operating Company for a two-well campaign in Block 15 in Sudan. The contract is set for a six month period starting in December 2009. The drilling contract is estimated to be value at USD \$49.9 million	Through July 2010, Seadrill confirms that its first drilling operation started early 2010 with expected completion in 3Q 2010. The company does not currently have further plans for drilling operations in Sudan and will take CalPERS views into consideration for any potential future operations. Seadrill does not supply services or products to the Sudanese government or its military forces. Completion of Seadrill's drilling operation will be confirmed before removing company from Sudan Act monitoring list.	1,552,355	\$47,544,793
			Category Total		\$182,262,458

TABLE 3
20 Companies Being Monitored

	<i>Company Name (Domicile)</i>	<i>Summary of Ties to Sudan</i>	<i>Summary of Changes From 2009</i>	<i>Shares Held by CalPERS 11/30/2010</i>	<i>Market Value (\$) of Shares Held by CalPERS 11/30/2010</i>
1	Air France (France)	Company not involved with activities identified in the Sudan Act.	Continued monitoring for not being subject to Sudan Act provisions.	513,686	\$9,003,917
2	Alcatel Lucent (France)	Alcatel Lucent signed a turnkey contract with the East Africa Submarine Cable System (EASSy) consortium to lay the first ever optical submarine cable network landing in East Africa. The EASSy submarine network will link eight countries from Sudan to South Africa. The company also provides GSM mobile networks in Sudan.	As of 2010, Alcatel Lucent is not identified by MSCI as subject to the "business operations" provisions of the Sudan Act. MSCI concluded Alcatel Lucent has cut back on the Company's operations in Sudan. Due to no reports of current activity in Sudan, MSCI has removed the company from the CalPERS Company List.	6,178,469	\$16,825,576
3	Alstom (France)	January 2008 Legislative Report identified Alstom as having a contract to supply electro-mechanical equipment for the Merowe Dam project in Sudan. The current activities are restricted to the execution of the Merowe project and a further Customer Service Activity for rehabilitation of generators and turbines at the Khartoum North Power Plant. Company provided a letter providing information on the company's humanitarian initiatives. 2009 Report Update: Company provided a letter providing information on the company's humanitarian initiatives.	Company not identified as having engaged in active business operations in Sudan, oil-related activities, or having significant business operations in the eastern, southern, and western regions of Sudan.	922,085	\$38,092,270

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4	Bharat Electronics (India)	Bharat Electronics signed a contract to supply Sudan with ten battlefield surveillance radar systems. As of 2010, the company is not identified by MSCI as having engaged in active business operating in Sudan. MSCI concluded Bharat Electronics Limited have cut ties to Sudan entirely. Due to no reports of current activity in Sudan, MSCI has removed the company from the CalPERS Company List.	In 2010, the company cut ties to Sudan entirely and would no longer be subject to the Sudan Act. CalPERS has no current position.	0	\$0
5	Bharat Heavy Electrical Limited (India)	Bharat Heavy Electricals Limited (BHEL) is an India-based power and energy company, 67.7 percent owned by the Indian government. The company's first businesses in Sudan were in the transport industry, providing Sudan Railways with eight mainland locomotives in 2005 and exporting locomotive parts in 2006. The company's subsequent and current operations in Sudan have been power-related. BHEL confirmed for MSCI Group in December 2007 that it was developing a 500-megawatt power plant in Kotsi, Sudan, which is scheduled to supply power to the whole of Sudan. It declined to provide further details on its activities in Sudan. However, Africa Energy Intelligence reported on April 2, 2008, that the cost of the project will be USD \$457 million. The power station is to have transmission lines between Jebel Awlia, Rank and Al Obeid.	CalPERS has no current position.	0	\$0
6	Credit Agricole SA (France)	January 2008 Legislative Report identified Credit Agricole SA as being identified for having business operations in Sudan. 2009 Report Update: Currently under review	Continued monitoring for not being subject to Sudan Act provisions.	4,819,628	\$59,232,343
7	Electricity Generating Public Co Ltd	January 2008 Legislative Report identified Electricity Generating Public Co Ltd as being identified for having business operations in Sudan. A 2009 Report Update: Provides training to the National Electricity Corporation of Sudan and maintenance of the El Gali power plant under contract by Sudan's National Electric Corp.	The company's subsidiary has business ties with the state-owned Sudanese National Electricity Corporation of Sudan. However, the company does not fit the criteria of scrutiny defined by the Sudan Act, because although it is involved in Sudan's power-generation sector, it does not provide revenue to the Government of Sudan.	0	\$0

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8	Finmeccanica SPA (Italy)	<p>According to the company's website, Alenia Marconi Systems, a 50-50 joint venture between Finmeccanica and BAE Systems, developed a program with the Sudanese Civil Aviation Authority to make better use of Sudanese airspace by installing upgraded surveillance radar equipment and more sophisticated air traffic control computers and displays, the so-called secondary radar systems. The contract was valued at USD \$21 million. Since then, Finmeccanica has assumed full control of the venture. However, the company maintained it has no facilities in Sudan. In addition, South Africa's Business Day reported on June 13, 2006, that some components in Chinese helicopters used in Sudan may have been supplied by Finmeccanica's AgustaWestland unit.</p> <p>According to the information that the company provided to CalPERS in 2009, the equipment that Finmeccanica provided to the Sudanese Aviation Authority (SCAA) were not used for military purposes. However, the legislation specifies that in order for a company to be exempt from this category of scrutiny, when providing equipment that can have "dual-use" purposes, the company will NOT be exempted "UNLESS the company implements safeguards to prevent use of that equipment of military purposes." From the information provided, it is not clear that Finmeccanica did in fact implement such safeguards.</p>	Through October 2010, the Company confirmed that it does not currently conduct any of the activities that would subject the company to the Sudan Act.	1,295,965	\$14,685,524

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9	Indian Oil Corporation, Ltd. (India)	Indian Oil Corporation (IOC) began seeking oil-related contracts in Sudan in 1999. IOC engages in petroleum refining, and marketing, and operates oil pipelines. As of November 2009, IOC reported on its website that it was currently training the personnel of the Greater Nile Petroleum Company in Sudan. The areas of interest included oilfields, gas- shipping terminals, refineries and oil-hunt contracts. Indian Oil Corporation is training engineers working in Sudan for the Greater Nile Petroleum Operating Company. In 2008, it was reported that Indian Oil was receiving fees from GNPOC for consultancy work as well as rendering training services, which it asserts are beneficial to the general public of Sudan.	CalPERS has no current position.	0	\$0
10	KunLun Energy Company (Formerly CNPC Hong Kong) (Hong Kong)	<p>According to its website and public filings, Kunlun Energy (formerly CNPC (Hong Kong) Ltd.) is a publicly traded subsidiary of the state-owned China National Petroleum Corp. (CNPC), which holds a 52.7 percent interest in Kunlun Energy. The Associated Press reported on July 2, 2007 that CNPC signed a 20-year contract in June 2007 for Block 13 in northern Sudan under which it entered into a six-year phase for offshore oil drilling exploration and a 20-year concession for shared oil production. In addition, Africa News reported on May 1, 2007, "The China National Petroleum Corporation (CNPC) has invested billions of dollars in Sudan's national oil consortia with myriads of operations in exploration, drilling and refinery.</p> <p>China Energy Weekly reported on July 14, 2006, that CNPC had completed an upgrade of the largest oil refinery in Khartoum. CNPC upgraded the capacity of the refinery to 5 million tons at a cost of USD 341 million. CNPC and the Sudan Energy Ministry each hold 50 percent stakes in the refinery, which had an initial capacity of 2.5 million tons when it first went into operation in June 2000. The article also reported that CNPC holds a 40 percent stake in the Greater Nile</p>	CalPERS has no current position.	0	\$0

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		<p>Consortium, which produces 330,000 barrels of oil per day from three oil blocks in Sudan. Other partners in the consortium include Petronas of Malaysia (30 percent), ONGC of India (25 percent), and state-owned Sudapet of Sudan (5 percent). The Greater Nile Petroleum & Oil Corp. operates Blocks 1, 2, 4, 5a and 6 and controls 60 percent of Sudan's oil production. CNPC also owns a 42 percent stake in two blocks in Malut. In addition, CNPC is investing in an oil terminal on Sudan's Red Sea coast and runs a pipeline connecting the Khartoum refinery with the Fula Oilfield, according to the article.</p> <p>On its website, CNPC indicates that it is also exploring in Sudan's Blocks 3 and 7. CNPC has a 41 percent stake in a consortium, Petrodar, which controls the blocks. Other partners include Petronas (40 percent), Sudapet (8 percent), Gulf Oil Petroleum (6 percent) and the Al-Thani Corp (5 percent). The partners began production on the blocks in 2005. China Energy Report Weekly reported on September 9, 2005, that CNPC won a 35 percent stake in Sudan's Block 15. The block has two natural gas wells, and Petronas, CNPC and Sudapet will jointly operate the block.</p>			
11	Lundin Petroleum AB (Sweden)	<p>Under contract with the government of Sudan exploration includes seismic evaluations and drilling operations. Involved in many humanitarian causes in Sudan. Donated money to Sudan Bridge of Hope. Supports the Vet-Care Organization of Sudan. Donated funds and supplies to a primary school in Juba in South Sudan. In Juba, it donates to the Sudan Older People's Organization. Donates to the Salam Sudan Foundation, which is working in South Sudan in association with the University of Juba on local capacity building projects.</p>	<p>Confirmed it is involved in several humanitarian projects that fit the positive exception criteria of the Sudan Act. Lundin has donated funds and supplies to a primary school in Juba in South Sudan; financially contributed to the Sudan Older People's Organization, which seeks to alleviate poverty by supporting vocational training for orphan school dropouts and caregivers of HIV/Aids children; and donated to the Salam Sudan Foundation, which is working in South Sudan in association with the University of Juba on local capacity building projects.</p>	651,366	\$6,395,476

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12	MMC Corporation Bhd. (Malaysia)	A consortium led by it won a contract to construct a 1,400-kilometer pipeline that would increase Sudan's oil output. Lists the Melut Basin Oil Development in the Republic of Sudan as one of its ongoing projects.	The information that MMC Corp. Berhad has provided to CalPERS through its company response verifies that the company's involvement in Sudan's oil sector has completed in August 2007 and the company states that it has no further involvement there. Previously, RiskMetrics reported MMC's involvement in a contract for the construction of a 1,400-km pipeline, as well as for the development of the Melut Basin Oil Development. However, MMC's letter has confirmed that these projects have now been completed.	2,414,600	\$2,088,715
13	Petrofac Ltd (UK)	January 2008 Legislative Report identified Petrofac Ltd. as having business operations in Sudan. 2009 Report Update: Engaged in oil-related activities in Sudan that does not require invested capital. No material assets in Sudan accept an office in Khartoum.	In its company response to CalPERS, Petrofac Ltd. has provided extensive information regarding the humanitarian initiatives the company has undertaken in Sudan: "As part of our group-wide community relations efforts, we have recently announced the launch of a pilot education initiative with BRAC, to fund the building of 60 schools in a number of districts in Southern Sudan and finance their operation for two years." In this respect, the company fulfills the Positive Exception stipulation of the Sudan Act.	663,129	\$14,365,199
14	Reliance Industries Ltd. (India)	Reliance operates India's largest refinery and has discovered one of its largest gas fields in Sudan. Reliance Industries says that it has partnered with Petronas on the implementation of a project in Port Sudan, Sudan. In 2008 it was reported that Reliance Industries Ltd was exporting products which include polyethylene (used for packaging), polyester chips (used in fabric raw material) and high speed diesel (used as transportation fuel for common use) in Sudan. In 2009, it was reported that Sudan awarded them two oil and gas exploration blocks.	Through continued monitoring of Reliance in 2010, it has been confirmed by MSCI that the company is not engaged in any active business operations or oil-related activities as defined by the Sudan Act.	3,918,339	\$84,233,401

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15	Royal Dutch Shell PLC (Netherlands)	January 2008 Legislative Report identified Royal Dutch Shell PLC primary business activity in Sudan is the operation of service stations. Oil distributed through their service stations are imported through Port Sudan. 2009 Report Update: Research review confirmed that the company does not fulfill California Sudan Divestment legislation criteria.	Continued monitoring for not being subject to Sudan Act provisions.	18,924,241	\$565,799,459
16	Sarawak Enterprise Corp. Bhd (Malaysia)	January 2008 Legislative Report identified Sarawak Enterprise Bhd as having business operations in Sudan. 2009 Report Update: Research review confirmed that the company does not fulfill California Sudan Divestment legislation criteria.	Continued monitoring for not being subject to Sudan Act provisions.	0	\$0
17	Schlumberger (Netherlands)	January 2008 Legislative Report identified Schlumberger Ltd. as an independent oilfield service company that has various oilfield service contracts with certain joint ventures created by internationally recognized exploration and production entities that operate in Sudan, and these joint venture entities are at least 90 percent owned by non-Sudanese companies, with the remaining percentages held by the National Oil Company of Sudan. A very small portion of its business in the country involves the sale of services to state owned enterprises. 2009 Report Update: Review of company confirmed that it fulfills one of the exception clauses defined in the California Sudan Divestment legislation.	Continued monitoring for not being subject to Sudan Act provisions.	4,099,569	\$317,060,666
18	SINOPEC Kanton Holdings Ltd. (Hong Kong)	Sinopec Kantons Holdings is a publicly traded subsidiary of China Petroleum & Chemical Corp., which has equity ties to Sudan's oil industry.	CalPERS has no current position.	0	\$0

Sudan Related Investments – Legislative Report

December 31, 2010

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19	Sinopec Shanghai Petrochemical (China)	Sinopec Shanghai Petrochemical is a publicly-traded subsidiary of China Petroleum & Chemical Corp, which has equity ties to Sudan's oil industry.	Through communication dated October 2010, Sinopec Shanghai Petrochemical confirmed they are a publicly traded subsidiary of China Petroleum & Chemical Corp which does have ties to Sudan. However, re-stated Sinopec Shanghai Petrochemical does not have any involvement in those activities in Sudan.	4,454,000	\$2,173,760
20	Total SA (France)	January 2008 Legislative Report identified Total SA as not currently having active business operations in Sudan; however, it must pay the Government of Sudan an annual fee of USD \$1 million in order to maintain Total's rights to its contract area. 2009 Report Update: Currently under review.	Although Total SA maintains its presence in Sudan and has confirmed that it has a limited representation on the ground, the company is involved in several humanitarian and social initiatives, which exempt it from the category of scrutiny under the Sudan Act. The company confirmed that it maintains close contact with several non-governmental and organizations, including the European Coalition on Oil in Sudan, the Collaborative for Development Action and the Sudan Divestment Task Force.	6,673,276	\$324,162,387
			Category Total		\$1,454,118,692

Appendix A: Definitions

Definitions

“Active business operations” – A company engaged in business operations that provide revenue to the government of Sudan or a company engaged in oil-related activities.

“Authorized business operations” – A United States company that is authorized by the federal government to have business operations in Sudan.

“Board” – The Board of Administration of the Public Employees’ Retirement System or the Teachers’ Retirement Board of the State Teacher’ Retirement System, as applicable.

“Business operations” – Maintaining, selling, or leasing equipment, facilities, personnel, or any other apparatus of business or commerce in Sudan, including the ownership or possession of real or personal property located in Sudan.

“Oil-related activities” – The export of oil, extracting or producing oil, exploration for oil, or the construction or maintenance of a pipeline, refinery, or other oil field infrastructure.

“Research firm” – A reputable, neutral third-party research firm.

“Substantial action” – A boycott of the government of Sudan, curtailing business in Sudan or selling company assets, equipment or real and personal property located in Sudan, or undertaking significant humanitarian efforts in the eastern, southern, or western regions of Sudan.

Appendix B:

Requirements of the Sudan Act

The implementation steps and requirements specified within the Sudan Act are:

1. Contracting with a research firm to identify companies that have business operations in Sudan.
2. Identification by the research firm by March 30, 2007 of companies with activities in the specified areas of oil-related, energy, power-related business that have not taken substantial action, or, companies that supply military equipment within the Sudan.
3. The board shall contact other institutional investors that invest in companies with business operations in Sudan.
4. By March 30, 2007 the board shall determine if the companies identified meet the criteria of the Sudan Act and should such companies be contained in external, actively managed commingled funds, request the managers of those funds remove the companies or create a fund or account devoid of those companies by June 30, 2007.
5. Notification to such companies that their activities may make them subject to divestment unless they take “substantial action” within 90 days.
6. Determine which companies have not taken substantial action or made significant progress toward substantial action within the time period.
7. Monitor and review companies in 90 day increments regarding their making sufficient progress toward “substantial action”.
8. Determining that a company that is not taking or making significant progress toward substantial action in any 90 day period is subject to “divestment” and making no further investments into such company.
9. Fiduciary analysis to determine that actions to be taken are consistent with the boards’ fiduciary responsibilities as established in the “California Constitution, article 16, section 17”.
10. Liquidation within 18 months of investments determined to be subject to “divestment”.
11. Report annually to the California Legislature regarding the status of CalPERS compliance with the Sudan Act.



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December 31, 2010

Via Overnight Courier

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In accordance with Chapter 442, Statutes of 2006 (AB 2941, Koretz), the California Public Employees' Retirement System (CalPERS) is submitting to the Legislature the attached report on investment holdings in companies with business operations in Sudan. To compile this report, CalPERS contracted with a third party independent research firm in addition to conducting our own research.

Please contact me at 916-795-2565 if you have any questions about this report.

Sincerely,

DANNY BROWN
Division Chief
Office of Governmental Affairs

cc: Anne Stausboll, Chief Executive Officer – CalPERS
Joseph A. Dear, Chief Investment Officer - CalPERS

Attachment 2b: Sudan Related Investments – Legislative Report

Expanded Summary of Business Operations and CalPERS Engagement Update

	<i>Company</i>	<i>Business Operations</i>	<i>CalPERS Engagement Update</i>
1	Atlas Copco AB India	<p>As of September 2010, Atlas Copco, a manufacturer of compressors, air treatment equipment, construction and loading equipment, mining and drilling equipment, pneumatic and electrical power tools and assembly systems , stated on its Web site that it had an office in Kenya that served clients in Sudan.</p> <p>Atlas Copco reported that it founded and continues to manage the nonprofit organization Water for All, which is drilling and digging for water in countries where clean drinking water is a scarce resource. Sudan was one of the countries that received support from this organization in 2009.</p>	<p>Newly Identified in 2010 with engagement initiated by CalPERS.</p> <p>CalPERS initiated engagement with Atlas Copco in October 2010 with response pending.</p>
2	Bolloré SA France	<p>The company confirmed that it provides logistics services to companies involved in oil operations in southern Sudan as well as to the United Nations for its relief efforts in the area. Bolloré Group's subsidiary, SDV Oilfield, has offices in Khartoum and Port Sudan registered under the name, SDV Transintra Sudan, and over 50 employees. In a letter sent to MSCI on July 23, 2009, a company representative said that SDV Transintra has no business relationship in the field of logistics concerning supplies or services for the government of Sudan.</p> <p>Bolloré's company in Juba (where the Government of South Sudan is based) is called SDV Logistics Sudan, and is not involved in the oil business. According to Bolloré's website, its transport division maintains operations in Sudan. However, the company confirmed in the letter sent to MSCI that it is "not involved in any capacity with the oil/mining business in North Sudan".</p>	<p>Newly Identified in 2010 with engagement initiated by CalPERS.</p> <p>CalPERS initiated engagement with Bolloré in October 2010 with response pending.</p>
3	Dongfeng Motor Group Company Ltd. Hong Kong	<p>Dongfeng Motor Group includes DongFeng Automobile Co., an automobile manufacturer, whose military division is under investigation for violating the United Nations arms embargo against Sudan. In 2006, the United Nations Panel of Experts monitoring the Darfur arms embargo reported that it saw a shipment of green military trucks at Port Sudan in August 2005. It said that similar trucks were later seen on the grounds of the Sudanese Air Force in Darfur in October 2006. The panel commenced an investigation, which found that the Ministry of Finance and National Economy of Sudan had purchased 222 vehicles-212 military trucks of model EQ2100E6D and 10 chassis of model EQ1093F6D-from Dongfeng on behalf of the Ministry of Defense. Following the release of the report, Dongfeng failed to answer directly any inquiries regarding its sale of military vehicles to Sudan.</p> <p>In December 2007, Dongfeng Motor Group confirmed for MSCI that it sells products to customers in Sudan, but it said that it does not have any equity interest in companies there. It added that it supplied trucks to the Khartoum government under a contract approved by the Chinese government. On July 14, 2008, a BBC investigative program found Dongfeng Automobile Co's (a DongFeng Motor's subsidiary) military vehicles, whose plates and markings showed a post-embargo manufacture date, in the possession of a Darfur rebel group that had reportedly captured them from the Sudanese Armed Forces. Its markings, captured on film, show the truck was exported by China to Sudan in 2005, after the United Nations banned the transfer of military goods to Darfur. Aside from documenting the presence of these vehicles, witnesses confirmed that they had seen them used during a December 2007 attack on Sirba town in West Darfur.</p> <p>In a press release issued on Nov. 18, 2008, the UN panel of experts denounced that the Sudanese government and rebel groups in Darfur have continuously and flagrantly violated the arms embargo from September 2007 to September 2008. The panel's report included photos of equipment reportedly from the Sudanese government that was manufactured after the 2005 embargo, including a Dongfeng Automobile military truck and 120 mm mortars and post-embargo ammunition</p>	<p>Newly Identified in 2010 with engagement initiated by CalPERS.</p> <p>CalPERS initiated engagement with Dongfeng in August 2010 with response pending.</p>

Expanded Summary of Business Operations and CalPERS Engagement Update

	<i>Company</i>	<i>Business Operations</i>	<i>CalPERS Engagement Update</i>
		found in the hands of the rebel Justice and Equality Movement.	
4	El-Sewedy Cables Egypt	El Sewedy Cables provides significant support to Sudan's electricity generating infrastructure. The company owns & operates a plant in Sudan that produces power transmission cables.	Newly Identified in 2010 with engagement initiated by CalPERS. CalPERS initiated engagement with El-Swedey in August 2010 with response pending.
5	KEPCO Plant Services & Engineering Co. Ltd. Korea	KEPCO Plant Service & Engineering provides power plant maintenance services. In July 2008, Sudan's Electric Power Agency awarded a USD 33.8 million contract to a consortium of South Korean companies led by LS Industrial Systems that included KEPCO Plant Service & Engineering. The contract involved the modernization of a power plant in Khartoum, Sudan, and was expected to be completed by 2010. LS Industrial Systems had a 54 percent stake in the consortium.	Newly Identified in 2010 with engagement initiated by CalPERS. CalPERS most recent attempt to engage KEPCO in August 2010 has yet to be responded to by the company.
6	KLCC Property Holdings Malaysia	As of June 2010, KLCC Property Holding Berhad was 51% owned by Petronas, which is considered involved in Sudan. In addition to being a majority-owner, there is significant overlap in management between KLCC and Petronas.	Newly Identified in 2010 with engagement initiated by CalPERS. CalPERS initiated engagement with KLCC in October 2010 with response pending.
7	LS Industrial Systems Co. Korea	LS Industrial Systems Co., Ltd. manufactures electric power equipment. In July 2008, Sudan's Electric Power Agency awarded a \$33.8 million contract to a consortium of South Korean companies led by LS Industrial Systems. The contract involved the modernization of a power plant in Khartoum, Sudan, and was expected to be completed by 2010. LS Industrial Systems had a 54% stake in the consortium.	Newly Identified in 2010 with engagement initiated by CalPERS. CalPERS most recent attempt to engage LS Industrial in August 2010 has yet to be responded to by the company.
8	Oil India Ltd. India	Oil India Limited is engaged in the exploration, development, production, and transportation of crude oil and natural gas. Oil India was wholly-owned by the government of India, but the company's Initial Public Offering (IPO) took place in September 2009. As of September 2009, Oil India had a 10% stake in a 741 km oil pipeline; ONGC Videsh Limited had the remaining 90% stake. The pipeline was completed in October 2005 and was given to the Sudanese Ministry of Energy & Mining (MEM) under the Build, Own, Lease, and Transfer (BOLT) basis. According to the company's 2008 Annual Report the consortium has received 7 payment installments from the Sudanese MEM. The company also reported that it had an ongoing overseas presence in Sudan.	Newly Identified in 2010 with engagement initiated by CalPERS. Through CalPERS engagement dated September 2010, Oil India states that the company is well within the canons of law (read as Sudan Act) and requests CalPERS to stay invested. The criteria

Expanded Summary of Business Operations and CalPERS Engagement Update			
	Company	Business Operations	CalPERS Engagement Update
			<p>presented in the Sudan Act were addressed through a due diligence exercise that was very exhaustive and passed the rigid test of the Regulators upon issuance of Oil India's IPO.</p> <p>Response is under review by MSCI.</p>
9	Seadrill Limited Bermuda	Seadrill is an offshore drilling contractor that provides services including platform drilling, well intervention, and engineering services. In October 2009 Seadrill reported that the company would be contracting its West Prospero rig to the Red Sea Petroleum Operating Company for a two-well campaign in Block 15 in Sudan. The contract is set for a six month period starting in December 2009. The drilling contract is estimated to be value at USD \$49.9 million	<p>Newly Identified in 2010 with engagement initiated by CalPERS.</p> <p>Through CalPERS engagement dated July 2010, Seadrill confirms that its first drilling operation started early 2010 with expected completion in 3Q 2010. The company does not currently have further plans for drilling operations in Sudan and will take CalPERS views into consideration for any potential future operations. Seadrill does not supply services or products to the Sudanese government or its military forces.</p> <p>Completion of Seadrill's drilling operation will be confirmed before removing company from Sudan Act monitoring list.</p>
10	Mangalore Refinery & Petrochemicals Ltd. India	Mangalore Refinery is a majority-owned publicly traded subsidiary of the Indian Oil & Natural Gas Corporation Ltd (ONGC). According to international news sources, Mangalore Refinery itself is involved in oil-related projects in Sudan. According to Reuters in 2007, and the United News of India reported on Oct. 28, 2008, the company refined crude oil from Sudan that is exported to India. In total, the oil processed by Mangalore Refinery makes up 15 percent of the total oil produced by ONGC in Sudan.	<p>Engagement in process by CalPERS:</p> <p>CalPERS most recent attempt to engage Mangalore in August 2010 has yet to be responded to by the company.</p>
11	Wartsila OYJ Finland	In December 2007, Wartsila told MSCI Group that its activities in Sudan are conducted in "strict compliance with applicable international and national laws." It declined to comment further. Wartsila acknowledged to MSCI Group on Sept. 3, 2007, that it had supplied "high-efficiency power plants" to Sudan. It said, however, that it has no assets in Sudan and that its business there "has always been very small considering the total business activities Wartsila has." It added, "We have no plans to become a large player in the country nor do we have any intention to expand beyond the type of business we have earlier been in." It declined to provide MSCI with sales figures for Sudan. In any case, it said that none of its sales in Sudan have been to governmental entities. It continues to maintain a representative office in Khartoum, Intercontinental Trading & Engineering (ITE). It also continued to post a press release on its website announcing that the company won an order to build an oil-fired power plant in Sudan.	<p>Engagement in process by CalPERS:</p> <p>In August 2010, CalPERS provided the company with a fully transparent description of what MSCI believes to be the company's business operations. A response from Wartsila is pending.</p>

Expanded Summary of Business Operations and CalPERS Engagement Update

	<i>Company</i>	<i>Business Operations</i>	<i>CalPERS Engagement Update</i>
		Two Sudan-related pages are available on the company website: in the first one, a company brochure for its power plants, Wartsila states to have installed engines in three large pipeline drive projects, one of which is in Sudan for Petronas. Furthermore, for its services in the Eastern African Region, Wartsila declares it was established in the region since August 1997 to market, sell, construct and service Power Generating Plants in the Eastern African Region, whereof Sudan, where it implanted 74 engines for a total of 320 Mega Watt. Moreover, as reported by the Platt's UDI World Electric Power Plants Data Base, updated on Feb. 15, 2009, Wartsila was the G/G supplier for the Petrodar's Palogue oil field production center, operational since 2004 with a configuration of 40 MW.	
12	Alcatel Lucent France	Alcatel Lucent signed a turnkey contract with the East Africa Submarine Cable System (EASSy) consortium to lay the first ever optical submarine cable network landing in East Africa. The EASSy submarine network will link eight countries from Sudan to South Africa. The company also provides GSM mobile networks in Sudan.	<p>Engagement Completed by CalPERS:</p> <p>As of 2010, Alcatel Lucent is not identified by MSCI as subject to the "business operations" provisions of the Sudan Act.</p> <p>MSCI concluded Alcatel Lucent has cut back on the Company's operations in Sudan. Due to no reports of current activity in Sudan, MSCI has removed the company from the CalPERS Company List.</p>
13	Finmeccanica Italy	<p>According to the company's website, Alenia Marconi Systems, a 50-50 joint venture between Finmeccanica and BAE Systems, developed a program with the Sudanese Civil Aviation Authority to make better use of Sudanese airspace by installing upgraded surveillance radar equipment and more sophisticated air traffic control computers and displays, the so-called secondary radar systems. The contract was valued at \$21 million. Since then, Finmeccanica has assumed full control of the venture. However, the company maintained it has no facilities in Sudan. In addition, South Africa's Business Day reported on June 13, 2006, that some components in Chinese helicopters used in Sudan may have been supplied by Finmeccanica's AgustaWestland unit.</p> <p>According to the information that the company provided to CalPERS in 2009, the equipment that Finmeccanica provided to the Sudanese Aviation Authority (SCAA) were not used for military purposes. However, the legislation specifies that in order for a company to be exempt from this category of scrutiny, when providing equipment that can have "dual-use" purposes, the company will NOT be exempted "UNLESS the company implements safeguards to prevent use of that equipment of military purposes." From the information provided, it is not clear that Finmeccanica did in fact implement such safeguards.</p>	<p>Engagement Completed by CalPERS:</p> <p>Through CalPERS engagement in October 2010, the Company confirmed that it does not currently conduct any of the activities that would subject the company to the Sudan Act.</p>

Expanded Summary of Business Operations and CalPERS Engagement Update

	<i>Company</i>	<i>Business Operations</i>	<i>CalPERS Engagement Update</i>
14	Reliance Industries Ltd. India	Reliance operates India's largest refinery and has discovered one of its largest gas fields in Sudan. Reliance Industries says that it has partnered with Petronas on the implementation of a project in Port Sudan, Sudan. In 2008 it was reported that Reliance Industries Ltd was exporting products which include polyethylene (used for packaging), polyester chips (used in fabric raw material) and high speed diesel (used as transportation fuel for common use) in Sudan. In 2009, it was reported that Sudan awarded them two oil and gas exploration blocks.	Engagement Completed by CalPERS: Through CalPERS engagement and continued monitoring of Reliance in 2010, it has been confirmed by MSCI that the company is not engaged in any active business operations or oil-related activities as defined by the Sudan Act.
15	Sinopec Shanghai Petrochemical China	Sinopec Shanghai Petrochemical is a publicly-traded subsidiary of China Petroleum & Chemical Corp, which has equity ties to Sudan's oil industry.	Engagement Completed by CalPERS: Through CalPERS engagement dated October 2010, Sinopec Shanghai Petrochemical confirmed they are a publicly traded subsidiary of China Petroleum & Chemical Corp which does have ties to Sudan. However, re-stated Sinopec Shanghai Petrochemical does not have any involvement in those activities in Sudan.
16	Bharat Heavy Electrical Limited India	Bharat Heavy Electricals Limited (BHEL) is an India-based power and energy company, 67.7 percent owned by the Indian government. The company's first businesses in Sudan were in the transport industry, providing Sudan Railways with eight mainland locomotives in 2005 and exporting locomotive parts in 2006. The company's subsequent and current operations in Sudan have been power-related. BHEL confirmed for MSCI Group in December 2007 that it was developing a 500-megawatt power plant in Kotsi, Sudan, which is scheduled to supply power to the whole of Sudan. It declined to provide further details on its activities in Sudan. However, Africa Energy Intelligence reported on 2 April, 2008, that the cost of the project will be USD 457 million. The power station is to have transmission lines between Jebel Awlia, Rank and Al Obeid.	As of October 2010, Bharat Heavy Electrical Limited is no longer a CalPERS portfolio holding.
17	Bharat Electronics India	Bharat Electronics signed a contract to supply Sudan with ten battlefield surveillance radar systems. As of 2010, the company is not identified by MSCI as having engaged in active business operating in Sudan. MSCI concluded Bharat Electronics Limited have cut ties to Sudan entirely. Due to no reports of current activity in Sudan, MSCI has removed the company from the CalPERS Company List.	As of October 2010, Bharat Electronics is no longer a CalPERS portfolio holding. In 2010, MSCI concluded the company cut ties to Sudan entirely and would no longer be subject to the Sudan Act.
18	Indian Oil Corporation India	Indian Oil Corporation (IOC) began seeking oil-related contracts in Sudan in 1999. IOC engages in petroleum refining, and marketing, and operates oil pipelines. As of November 2009, IOC reported on its website that it was currently training the personnel of the Greater Nile Petroleum Company in Sudan. The areas of interest included oilfields, gas- shipping terminals, refineries and oil-hunt contracts. Indian Oil Corporation is training engineers working in Sudan for the Greater Nile Petroleum Operating Company. In 2008, it was reported that Indian Oil was receiving fees from GNPOC for consultancy work as well as rendering training services, which it asserts are beneficial to the general public of Sudan.	As of October 2010, Indian Oil Corporation is no longer a CalPERS portfolio holding.

Expanded Summary of Business Operations and CalPERS Engagement Update

	<i>Company</i>	<i>Business Operations</i>	<i>CalPERS Engagement Update</i>
19	KunLun Energy Company Limited (Formerly CNPC Hong Kong) Hong Kong	<p>According to its website and public filings, Kunlun Energy (formerly CNPC (Hong Kong) Ltd.) is a publicly traded subsidiary of the state-owned China National Petroleum Corp. (CNPC), which holds a 52.7 percent interest in Kunlun Energy. The Associated Press reported on July 2, 2007 that CNPC signed a 20-year contract in June 2007 for Block 13 in northern Sudan under which it entered into a six-year phase for offshore oil drilling exploration and a 20-year concession for shared oil production. In addition, Africa News reported on May 1, 2007, "The China National Petroleum Corporation (CNPC) has invested billions of dollars in Sudan's national oil consortia with myriads of operations in exploration, drilling and refinery.</p> <p>China Energy Weekly reported on July 14, 2006, that CNPC had completed an upgrade of the largest oil refinery in Khartoum. CNPC upgraded the capacity of the refinery to 5 million tons at a cost of USD 341 million. CNPC and the Sudan Energy Ministry each hold 50 percent stakes in the refinery, which had an initial capacity of 2.5 million tons when it first went into operation in June 2000. The article also reported that CNPC holds a 40 percent stake in the Greater Nile Consortium, which produces 330,000 barrels of oil per per day from three oil blocks in Sudan. Other partners in the consortium include Petronas of Malaysia (30 percent), ONGC of India (25 percent), and state-owned Sudapet of Sudan (5 percent). The Greater Nile Petroleum & Oil Corp. operates Blocks 1, 2, 4, 5a and 6 and controls 60 percent of Sudan's oil production. CNPC also owns a 42 percent stake in two blocks in Malut. In addition, CNPC is investing in an oil terminal on Sudan's Red Sea coast and runs a pipeline connecting the Khartoum refinery with the Fula Oilfield, according to the article.</p> <p>On its website, CNPC indicates that it is also exploring in Sudan's Blocks 3 and 7. CNPC has a 41 percent stake in a consortium, Petrodar, which controls the blocks. Other partners include Petronas (40 percent), Sudapet (8 percent), Gulf Oil Petroleum (6 percent) and the Al-Thani Corp (5 percent). The partners began production on the blocks in 2005. China Energy Report Weekly reported on Sept. 9, 2005, that CNPC won a 35 percent stake in Sudan's Block 15. The block has two natural gas wells, and Petronas, CNPC and Sudapet will jointly operate the block.</p>	As of October 2010, KunLun Energy Company is no longer a CalPERS portfolio holding.
20	Sinopec Kanton Holdings Hong Kong	Sinopec Kantons Holdings is a publicly-traded subsidiary of China Petroleum & Chemical Corp., which has equity ties to Sudan's oil industry.	As of October 2010, Sinopec Kanton Holdings is no longer a CalPERS portfolio holding.